GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3039
ANSWERED ON:10.08.2001
CLASSIFICATION OF WILFUL DEFAULTERS
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Will the Minister of FINANCE be pleased to state:

(a) whether RBI had issued a circular to all the banks and financial institutionsclassifying six categories of defaulters as wilful defaulters;

(b) if so, the details thereof;

(c) whether some of the financial institutions did not adhere to the guidelines of RBI in regard to categorization of wilful defaulters:

(d) if so. the details thereof; and

(e) the steps taken by RBI to ensure that guidelines issued by RBI in regard to wilful defaulters are followed by ail in letter and spirit?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH):

(a) and (b) Reserve Bank of India (RBI) has reported that it had framed a scheme in 1999for collection and dissemination of information about cases of wilful defaults of Rs. 25 lakhs and above, whereby wilful default will broadly cover the following:

(i) Deliberate non-payment of the dues despite adequate cash flow and good networth.

(ii) Siphoning off of funds to the detriment of the defaulting unit.

(iii) Assets financed have either not been purchased or have been sold and proceeds have been misutilised.

(iv) Misrepresentation/falsification of records.

(v) Disposal/removal of securities without bank`s knowledge.

(vi) Fraudulent transactions by the borrower.

(c) to (e) RBI has reported that the banks and financial institutions have been submittingto it information about wilful defaults identified by them, in terms of RBI`s guidelines and no instances of non-adherence to these guidelines have come to its notice.